

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 DHA-02 /101 W

----- 091201

R 130433Z SEP 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 1179

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS 2859

C O N F I D E N T I A L NEW DELHI 12386

E.O. 11652: GDS

TAGS: PINT, PINS, IN

SUBJ: STATE OF THE EMERGENCY: DELHI CONSULAR DISTRICT

BEGIN SUMMARY: THE PSYCHOLOGICAL SHOCK OF THE EMERGENCY HAS
BEGUN TO DISSIPATE BUT STILL CONTRIBUTES TO A MOOD OF UNCERTAINTY
AND UNEASINESS IN NEW DELHI. THE ATMOSPHERE IS
MORE RELAXED OUTSIDE OF THE CAPITAL. IN THE TOWNS AND CITIES
WE HAVE VISITED, THERE IS POPULAR SATISFACTION WITH THE
INCREASED ADMINISTRATIVE RESPONSIVENESS, DISCIPLINE, PRICE
LEVELS AND LAW AND ORDER SITUATION THE EMERGENCY HAS BROUGHT.
LIFE IN THE VILLAGES REMAINS UNAFFECTED. COMPARED TO THE
PRE-EMERGENCY SITUATION, POLITICAL ACTIVITIES ARE AT A
STANDSTILL. THE "UNDERGROUND" IS DIVIDED AND HARASSED BY
THE POLICE. EFFORTS TO STRIKE A DIALOGUE BETWEEN MRS.
GANDHI AND JAILED OPPOSITION LEADERS HAVE SO FAR FAILED.
KHARIF PROSPECTS LOOK GOOD, BUT BUSINESSMEN ARE NOT INVESTING
AND RETAILERS ARE CUTTING BACK ON STOCKS.
PROSPECTS FOR RURAL REFORMS ARE NOT GOOD, DESPITE THE
RHETORIC. IN SUM, THOUGH THERE IS CONSIDERABLE SKEPTICISM
ABOUT WHETHER THE EMERGENCY WILL PRODUCE FUNDAMENTAL
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SOCIO-ECONOMIC PROGRESS, MOST INDIANS AGREE THAT

MRS. GANDHI STILL ENJOYS THE POLITICAL INITIATIVE SHE
SEIZED ON JUNE 26. END SUMMARY.

1. ATMOSPHERE: THE PSYCHOLOGICAL SHOCK OF THE EMERGENCY
HAS BEGUN TO DISSIPATE BUT STILL CONTRIBUTES TO A MOOD OF
UNCERTAINTY AND UNEASINESS IN NEW DELHI. INCOME TAX
AUTHORITIES ARE VISITING THE HOMES OF HIGH GOI OFFICIALS
AND BUSINESSMEN AND REGISTERING THEIR WEALTH. THE BUSINESSMEN
DO NOT, HOWEVER, APPEAR OVERLY CONCERNED ABOUT THE
CONSEQUENCES OF THIS INVENTORY. THOUGH SOME POLITICAL
PRISONERS HAVE BEEN RELEASED, INCLUDING JOURNALIST KULDIP
NAYAR (ON SEPT 12), MOST OF THEM REMAIN BEHIND BARS. THE
GOI CONTINUES TO DISMISS CIVIL SERVANTS. OUTSIDE
OF DELHI A COMPARATIVELY MORE RELAXED ATMOSPHERE PREVAILS
IN THE EMBASSY'S CONSULAR DISTRICT. IN THE TOWNS AND
CITIES WE HAVE VISITED, THERE IS POPULAR SATISFACTION WITH
THE INCREASED ADMINISTRATIVE RESPONSIVENESS, DISCIPLINE,
PRICE LEVELS, CLEANLINESS AND LAW AND ORDER SITUATION.
LIFE IN THE VILLAGES REMAINS UNAFFECTED.

2. ATTITUDES: THE ATTITUDES OF KEY GROUPS TOWARD THE
EMERGENCY IS SIMILAR TO THOSE REPORTED IN OUR EARLIER
MESSAGES AND IN THE CONGEN SEPTELS. TEACHERS ARE PLEASED
WITH THE INCREASED CLASSROOM DISCIPLINE. SENIOR CIVIL
SERVANTS WELCOME THEIR INCREASED POWER. WORKERS, THOUGH
DEPRIVED OF THE RIGHT TO STRIKE, ARE MORE INTERESTED IN
ISSUES SUCH AS PRICES, EMPLOYMENT AND BONUSES WHICH THE
EMERGENCY COULD FAVORABLY INFLUENCE.

3. POLITICAL PARTIES: COMPARED TO THE PRE-EMERGENCY
SITUATION, POLITICAL ACTIVITIES ARE AT A STANDSTILL. NOT
ONLY BANNED ORGANIZATIONS LIKE THE RSS BUT PARTIES "UNDER
A SHADOW" LIKE THE JANA SANGH AND CONGRESS-O ARE INACTIVE
IN ALL STATES IN THE DELHI CONSULAR DISTRICT. THE CPI AND
ITS FRONT ORGANIZATIONS HAVE ORGANIZED A SERIES OF "ANTI-
FASCIST" CONVENTIONS IN NORTH INDIA, DENOUNCING "RIGHT
REACTIONARIES", "IMPERIALIST FORCES" AND THE CIA, AND
HAILING MRS. GANDHI'S 20-POINT PROGRAM. CONGRESS POLITICIANS
ARE MORE RELAXED IN THEIR DEALINGS WITH US THAN
IN THE WEEKS IMMEDIATELY FOLLOWING THE EMERGENCY. THE
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EMERGENCY HAS HAD THE EFFECT OF REDUCING THE TRADITIONAL
SEESAW POLITICKING BETWEEN THE RIGHT AND LEFT FACTIONS
OF THE CONGRESS PARTY. REPRESENTATIVES OF THE LARGE
CONGRESS FARM LOBBY EXPRESS LITTLE OR NO CONCERN THAT THE
PRIME MINISTER'S REFORMS WILL ENDANGER THEIR INTERESTS.

4. OPPOSITION: THE "UNDERGROUND" IS DIVIDED, HARASSED BY
THE POLICE, AND UNABLE TO DO MORE THAN PAMPHLETEER TO

A LIMITED EXTENT. MORALE IS DOWN AMONG OPPOSITION LEADERS. SHEIKH ABDULLAH AND LEADING SOCIALIST MP N.G. GORAY ARE COORDINATING WITH MRS. GANDHI IN ATTEMPTS TO INITIATE A DIALOGUE BETWEEN THE PRIME MINISTER AND JAILED OPPOSITION LEADERS J.P. NARAYAN, DESAI AND VAJPAYEE. THE LATTER HAVE THUS FAR REJECTED MRS. GANDHI'S "CONDITIONS" WHICH AMOUNT TO A TACIT ACCEPTANCE OF HER REASONS FOR CALLING THE EMERGENCY. ACCEPTANCE OF HER TERMS WOULD ALSO DEPRIVE THEM OF THEIR CLAIMS TO BEING MARTYRS, WHICH COULD PROVIDE POLITICAL DIVIDENDS LATER.

5. ECONOMIC: THE FUTURE ECONOMIC SITUATION WILL HAVE AN IMPORTANT IMPACT ON MRS. GANDHI'S POLITICAL POSITION IN THE NORTH AS ELSEWHERE IN THE COUNTRY. THE GOVERNMENT IS COUNTING ON A RECORD KHARIF HARVEST (RESULTING FROM THE VERY FAVORABLE MONSOON) TO BRING ABOUT INCREASED CONSUMER DEMAND AND INDUSTRIAL PRODUCTION. ALTHOUGH IT IS NOT ASSURED, JUDGING FROM PAST PERFORMANCE OF THE INDIAN ECONOMY, WE BELIEVE THERE PROBABLY WILL BE SOME AGRICULTURAL-LED GROWTH THAT WILL BENEFIT THE PRIME MINISTER. THE MORE FAVORABLE THE ECONOMIC SITUATION, THE LESS SHE WILL HAVE TO WORRY ABOUT COMING THROUGH IN A CONCRETE WAY ON THE 20 POINT PROGRAM. KHARIF PROSPECTS IN UP, PUNJAB, AND HARYANA GENERALLY LOOK GOOD AND ABOVE AVERAGE. THERE IS AN OVER-ABUNDANCE OF RAINFALL IN SOME LOCALIZED AREAS WHICH WILL HOLD DOWN TOTAL PRODUCTION OF FOODGRAINS. LOCAL PRICES HAVE MOSTLY BEEN STABLE IN RECENT WEEKS, WHICH HAS CAUSED GENERAL SATISFACTION.

6. BUSINESSMEN IN THE DELHI REGION REMAIN IN A STATE OF UNCERTAINTY REGARDING THE GOVERNMENT'S POLITICAL AND ECONOMIC POLICIES, AND ARE CONCERNED ABOUT THE LACK OF EFFECTIVE CONSUMER DEMAND. BECAUSE OF THIS UNCERTAINTY
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AND HIGH CAPITAL COSTS, FIRMS ARE NOT NOW UNDERTAKING NEW INVESTMENT. IN GENERAL BUSINESSES ARE HAVING DIFFICULTY ADJUSTING TO A CHANGING ECONOMIC SITUATION WHICH INCLUDES MUCH LESS RELIANCE ON SPECULATIVE AND BLACKMARKET ACTIVITIES. WHOLESALERS ARE ACCUMULATING UNWANTED INVENTORIES OF GOODS BECAUSE RETAILERS ARE REFUSING TO STOCK ANYTHING MORE THAN MINIMAL QUANTITIES FOR FEAR OF BEING ACCUSED OF HOARDING. CONTINUED LABOR PEACE AND DISCIPLINE IS A POSITIVE FACTOR FOR MANAGEMENT.

7. AGRARIAN REFORM HAS BEEN TALKED ABOUT, BUT, NOT SURPRISINGLY, NOTHING MUCH HAS HAPPENED YET. SINCE THE DECLARATION OF EMERGENCY SOME OF THE NORTHERN INDIAN STATES HAVE STARTED TO HAND OUT SURPLUS LAND, BUT SO FAR IT HAS BEEN ON A VERY SMALL SCALE. VARIOUS DEBT RELIEF/MORATORIUM

ORDINANCES HAVE BEEN ENACTED ON THE STATE LEVEL, BUT PROSPECTS FOR DIMINISHING THE POWER OF RURAL MONEYLENDERS ARE NOT GOOD. AS A RESULT, THERE IS JUSTIFIABLE SKEPTICISM THAT THE 20 POINT PROGRAM WILL REALLY HELP THE RURAL POOR.

8. CONCLUSION: HERE IN THE NORTH, THERE IS CONSIDERABLE SKEPTICISM WHETHER THE EMERGENCY WILL BRING ABOUT FUNDAMENTAL SOCIO-ECONOMIC CHANGE. THERE IS MORE AGREEMENT ABOUT THE POLITICAL CONSEQUENCES OF MRS. GANDHI'S ACTIONS. THE SCOPE FOR OPPOSITION POLITICAL ACTIVITY HAS BEEN CONSIDERABLY REDUCED, AND THERE DOES NOT SEEM TO BE ANY SIGNIFICANT POPULAR INTEREST IN CHALLENGING THE NEW RESTRAINTS. MOST INDIANS AGREE THAT THE PRIME MINISTER STILL ENJOYS THE POLITICAL INITIATIVE SHE SEIZED ON JUNE 26, AND WILL PROBABLY SUCCEED IN MAINTAINING IT OVER THE MONTHS AHEAD.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MARTIAL LAW, POLITICAL REPRESSION, POLITICAL SITUATION, PUBLIC ATTITUDES
Control Number: n/a
Copy: SINGLE
Draft Date: 13 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ellisoob
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NEWDE12386
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750317-1068
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750954/aaaabvhq.tel
Line Count: 186
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 18 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 AUG 2003 by ElyME>; APPROVED <24 NOV 2003 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STATE OF THE EMERGENCY: DELHI CONSULAR DISTRICT BEGIN SUMMARY: THE PSYCHOLOGICAL SHOCK OF THE EMERGENCY HAS
TAGS: PINT, PINS, IN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006